1 Basic information
1.1 CRIS Number: 2002/000-605-06.09
1.2 Title: SME Development in Drawskie
1.3 Sector: ESC
1.4 Location: Poland, Zachodniopomorskie Voivodship, Association of Pojezierze Drawskie Poviats.

2 Objectives
2.1 Overall objective
To increase investment and tourism attractiveness of the Pojezierze Drawskie region through the improvement of the environment protection infrastructure.

2.2 Project purpose / Immediate objective
Opening up of new areas for tourism development and establishment of new SME companies in the established investment zones in the most attractive locations in the region

2.3 Accession Partnership and NPAA priority
The project responds to the medium term priority identified in the AP: “Developing national policy for economic and social cohesion and preparing for the implementation of regional development programmes as well as Community Initiatives”. It corresponds also with the NPAA priority "Regional and cohesion policy".

2.4 Contribution to Preliminary National Development Plan
The project is in line with the sixth axis of the Preliminary NDP, which is “Strengthening development potential of regions and counteracting marginalisation of certain areas”. The priorities of this axis will be implemented by means of several measures including development and modernisation of infrastructure serving to strengthen competitiveness of regions.

The project is compliant with the priorities of the Operational Programme of the Zachodniopomorskie Voivodship.

2.5 Cross Border Impact: N/A

3 Description
3.1 Background and justification
Pojezierze Drawskie (area 3 865 km²) is a unique area in north-western Poland renowned for its landscape features and ample flora and fauna. Waters of lakes and rivers cover 10% of the region area, while very attractive forests take up 42% of a total land mass. The most interesting areas of the region have been protected through the establishment of Inski and Drawienski Landscape Protection Reservations. The tourist potential of this region is huge yet presently far from being fully utilised.

One of the two priority objectives accepted in the strategy of the Association of Pojezierze Drawskie Poviats is to increase tourism functions and increase the participation of tourism in the economy of this region. Creation of technical conditions for functioning of tourist enterprises and agrotourism farms through fitting-out tourism attractive area in water-sanitary infrastructure is one of the basic direction of activities, specified in the Strategy. The creation of new enterprises in the tourism sector, commerce and round-tourist service is of paramount importance in the area of Pojezierze Drawskie District for the creation of new work places, limiting of the unemployment and equalisation of differences in the development of the region.

Currently further development of tourism related enterprises in the region is hampered by poor water and sanitation facilities. Many incredibly attractive locations cannot be properly utilised as the construction of new tourist facilities there without sewage collection and treatment facilities might cause adverse effects and endanger those qualities of the region, which make it attractive in the first place.

It is assumed that the increase in tourist visitors in the area of Pojezierze Drawskie District will stimulate other sectors of the economy and generate the creation of new enterprises and jobs. A number of existing tourism sector businessmen have already petitioned local authorities to improve water and sanitation services as their standards are preventing the growth of their enterprises. These were:
Long-term development plans of Pojezierze Drawskie District, included in the “Programme of development and promotion of the Tourist Association’s product” provide for the creation of new tourism related enterprises like hotels, tourist equipment rentals, car service stations, shops and many others, to concentrate around lakes. The Association has already constructed many kilometres of tourist tracks: for pedestrians, cyclist, horseback riders and canoeists. New jobs, which will be created in these enterprises will provide the inhabitants of Pojezierze Drawskie District with regular income and in the result should ignite the economic development of this region. The project is compliant with this document mentioned above.

The past activities based on “Programme of development and promotion of the Tourist Association's product”, co-financed from the sources of TOURIN II, led to creation of 4 nature tracks, which helped to create 67 additional jobs for local people connected with this tourist product service. Similar local effects were reached by implementation of other projects constructing walking and cycling paths.

Pojezierze Drawskie District has also a great potential for development and job creation in the SME Sector. A timber and wooden products processing, manufacturing of goods based on the local; natural resources (peat, clay and aggregate) or arts and craft offer a huge employment possibilities, which are now wasted.

The region, which should be thriving suffer from structural unemployment with the highest ratio in Poland (24%). The rate of unemployment in the Pojezierze Drawskie District reaches even 34% level, which means that a large number of inhabitants live on the poverty border. This huge social problem of gminas and poviats of Pojezierze Drawskie District can be reduced by tourism development as well as investments in the SME sector.

The development of SME sector, apart from tourism, is a second equivalent priority of Strategy of the gminas and poviats of Pojezierze Drawskie District. One of the most important conditions for achievement of this priority is listed as “the assurance of technical conditions (infrastructural) to set up new investments, enterprises and jobs.”

The development of the enterprises of the SME sector concentrates mainly on urban area of Pojezierze Drawskie District – towns and bigger settlements, having quite well-developed transport infrastructure. Nevertheless, small enterprises are often located in rural areas in consideration of close proximity of existing natural resources, availability of real estate and its low price. Examples are wood products, furniture and masonry-work trade firms, as well as peat and charcoal production and distribution enterprises.

The lack of sanitary infrastructure (water-supply and sewage system) in the project areas make it not only impossible to set up new enterprises, but also threatens the functioning of existing firms. There are many letters and appeals of businessmen running their firms in the project area supporting this notion. They express an urgent need to provide these areas with water and sanitary services in order to enable correct functioning of enterprises and an increase in the range of production and employment.

For example, letters addressed to the local boards by:

- Mason-works – Kalisz Pomorski
High level of the unemployment and low level of life standards of the inhabitants of Pojezierze Drawskie District is the result of the lack of new investors, new investments and enterprises, as well as lack of the investment in the development of production by the existing companies.

This project is going to provide both existing and new enterprises with adequate technical conditions for running economic activities, enabling start or development of production and creation of new jobs in the SME sector.

The provision of sufficient water supply and/or associated sewage system will result in the increasing tourist and economic potential of communes and poviats of Pojezierze Drawskie District: It is expected that 700 ha will be opened up for new investments, about 45 new enterprises (25 in tourism) and 10 new investments (5 in tourism) will together create over 160 new jobs.

The creation of 120 new beds in tourist enterprises and agrotourism farms will enable the 10% growth in tourist visitors and ensure jobs for about 100 people.

Taking into account, that incomes of one new-employed person will enable to maintain numerous families, the effects of this project will ensure adequate life conditions for about 700 persons.

- Property structure of areas serviced by the project – 70% public property, 30% private property (connection of the farms with the main road)
- Types of properties serviced by the project – 70% firms, 30% housing.
- Of 700 ha of serviced area- 250 ha will be used for tourist infrastructure, 200 ha for development in SME sector and 250 ha for a mixture of both.
- Technical matters are the reason why there are private properties included in the investment (the costs are much lower in this case).
- Most of the area has already been developed and only parts of it situated along the roads still lack the full connections with main pipelines.
- About 1 ha of the investment areas is foreseen for private recreation homes.
- The activities regarding this project concern areas provided with technical infrastructure for new investments and the reinforcement of areas where the new enterprises will set up. The development of new areas demands laying many kilometers of the pipelines, which will connect those areas with the existing water supply and sewage system, as well as with the water works and the waste water treatment plants. The total length of the water supply network is 14,4 km, and sewage network 19,5 km. The construction of collectors was planned with the possibility of connecting the enterprises and existing firms, situated along those collectors. Such a solution enables also connecting with the network the new enterprises, which will set up on the area of water supply and sewage network, which runs mostly through the areas destined in the spatial development plans for the business activity. On the areas accessible for new enterprises utmost part of planned water and sewage collectors run along roads. Thus those reconstructed areas become potential sources for the increase in the number of new enterprises. The total length of network of 20 km and width of 0,2 km give together about 400 ha areas equipped with the technical infrastructure along the pipelines conducting the underground services to the 300 ha of developed areas in certain places. Consequently, a result of this project will be 700 ha of technically equipped area.
- In order to create new enterprises and jobs in tourism, the project concentrates on the supply of the necessary infrastructure for the areas foreseen for investments i.e. hotels, tourist equipment rentals, car service stations, shops and many others. The project does not provide infrastructure to the private summerhouses as they have very limited influence on a development of local economy.
- The main investments under this project are located in the areas owned by the local government and the State Treasury. Only minority of this infrastructure is located on the private properties.
The fulfilling of tasks of investments mentioned in this project is necessary to allow creation of the new hotels, motels, agrotourist farms and other tourism related activities on these areas, which demand suitable technical infrastructure. The main goal of project realisation is providing the technical infrastructure on the areas owned by public entities foreseen for investments and tourism related activities to promote the development of investments and tourist facilities of these areas. The areas owned by private investors or areas foreseen for agrotourist farms will also take the opportunities to achieve the objectives of sustainable regional development through creating new work places in private enterprises and improving the tourist facilities. Communes will own all sanitary networks. It is guaranteed via appropriate documents, in which private owners agreed to locate pipelines on their property. Qualified gmina’s units will manage all these sanitary and water systems.

- Part of the private areas (approximately 120ha) prepared for new investments is owned by local entrepreneurs who lead existing companies: wood products plants, furniture and masonry-work trade firms, peat and charcoal production and distribution enterprises. The project will allow them to save existing and create new work places. The other part of the private property (about 90 ha) belongs to the agrotourist farm owners, who will be able, with the support of this project, to begin activities in agrotourism and tourism related services and develop existing initiatives.
- The pricing policy is designed according to the market demand with the considerable preferences for investors, entrepreneurs and employers who provide the highest number of workplaces.
- Water supply and sewage removal prices will be based on average operational cost for each commune and will be fully controlled by local government.
- The potential investors will be not covering additional costs for supplying of technical infrastructure on the areas under the project mentioned above.

The project assumes, that increasing tourist flow will cause increasing demand for tourism related services and new serviced areas under investments in SME sector will help in further exclusion of new areas from agricultural production and their appropriation under economic activity. In this way, with regard to activities connected with the project, provided effects of the project will become multiplied.

In both areas of economic life project is compliant with assumptions of the Strategy of communes and poviat of Pojezierze Drawskie District. And realise stipulation demand of social-economic cohesion of the region development. Total area of the project is 1955 km².

3.2 Linked activities
- the Association leads active policy of promoting SME and tourism
- communes and poviat use instruments of supporting entrepreneurship in the form of reduced taxes for investors setting up new work places
- there were created many kilometres of the bicycle-paths (connected with the regional network) using Phare sources in the purpose of tourism development
- there were traced out and created regional horseback-routes
- there were traced out created many foot and canoe tourist routes
- waste water treatment plants have been built in all towns (1996 – 2000) using funding from PHARE, National and Provincial Environment Protection Funds

3.3 Results
700 ha in total of investment areas equipped with water supply and sanitary systems
- 19.5 km of sewerage systems in locations listed below
- 14.5 km of water supply mains in locations listed below

3.4 Activities
The project comprises the construction of:

1. Drawsko Pomorskie gmina: Construction of a sanitary sewerage system in Linówno, serviced area of 40 ha
2. Polczyn Zdrój gmina: Construction of a sanitary sewerage system in Przyrowo and Dziwogóra, serviced area of 130 ha
3. Lobez gmina: Construction of a water supply system Lobez – Bonin – Budziszczne, serviced area of 160 ha
4. Lobez gmina: Construction of a sanitary sewerage system in Belczna, serviced area of 40 ha
5. Lobez gmina: Construction of a water supply system Trzeszczyna – Dalno – Przyborze, serviced area of 50 ha
6. Czaplinek gmina: Construction of a water supply system in Stare Drawsko with a sewerage link to Czaplinek, serviced area of 130 ha
7. Zlocieniec gmina: Construction of a sanitary sewerage system and a water supply system Cieszynska housing estate in Zlocieniec, serviced area of 30 ha
8. Zlocieniec gmina: Construction of a water supply system Stare Worowo – Warnileg serviced area of 100 ha
9. Kalisz Pomorski gmina: Construction of a sanitary sewerage system with pumping station in Kalisz Pomorski, serviced area of 20 ha

- All activities have building permits
- Grounds, on which project will be realised, are legal possession of the beneficiary
- In the case of the activities concerning building of sewage system all grounds are ready under investments, other services infrastructure (water, telecommunication, electric energy, roads) is already completed.
- In the case of the activities concerning building of water-supply all grounds are ready under investments, other services infrastructure (telecommunication, electric energy, roads); building of sewage system in this area is drawn up in the long-term investments plans of gminas.
- All the tasks will be co-financed from PHARE 2002 programme in 68.38% and from gminas budgets represented by beneficiary in 31.62%.

4 Institutional framework
4.1 The beneficiary of the project will be The Association of Pojezierze Drawskie Districts
4.2 The Engineer/Project Manager will be appointed through a tender procedure organised by the Beneficiary in accordance with the Polish Public Procurement Law.
4.3 The owner of the facilities after project implementation will be respective gminas – members of the Association.
4.4 The investment will be executed according to the Decentralised Implementation System (DIS) - “Practical Guide to Phare, Ispa & Sapard contract procedures”
4.5 Implementation of the project will not lead to any changes in the institutional framework described above.

5 Budget in MEUR.

<table>
<thead>
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<th>Programme Phare</th>
<th>Investment support INW</th>
<th>Institution Building IB</th>
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The overall value of the investment including employment of the Project Manager will be 2.925 MEUR. The cost of the employment of the Project Manager will be paid by beneficiary in amount of 0.17 MEUR. Co-financing will be available.

6 Implementation arrangements.
6.1 Implementing Agency.
PAO: Ewa Freyberg – Undersecretary of State in the Ministry of Economy,
Pl. Trzech Krzyzy 3/5, 00-507 Warsaw,
Phone: + 48 22 693 40 09, Fax: + 48 22 629 68 95
Implementing Agency: Implementing Authority for Phare Cross Border Co-operation Programme
ul. Krucza 36, 00-522 Warsaw,
Phone: +48 22 695 99 10-11, Fax: + 48 22 695 99 12-13
6.2 Twinning: N/A
6.3 Non – standard aspects: N/A
6.4 Contacts.
Contract 1 (works): 2.755 EUR - joint co-financing
Contract 2 (engineer): 0.17 MEUR

7 Implementation schedule.
7.1 Start of tendering/call for proposals.:  I quarter 2003
7.2 Start of project activity:  III quarter 2003
7.3 Project completion:  IV quarter 2004

8 Equal opportunities.
Procedures related to the implementation of the project will be performed according to the law and will respect equal opportunities for all interested institutions and natural persons in spite of their sex, race and nationality. The employment of men and women will be based on applicable EU standards with reference to EOE (Equal Opportunity of Employment), which will be announced in official press advertisements during the recruitment procedures.

9 Environmental impact.
The EIA has been prepared and is available for perusal. The projected undertaking pointed on regulation of the water –sewage economy is very needed and economically based for region of Pojezierze Drawskie because of developing environmental overpressure which is caused by the tourist movement extension.

It has positively pro – ecological character. It will prevent an environmental degradation in Pojezierze Drawskie. Regulating sewage economy for most evaluated locations is a preferential case because of environment protection because at present citizens in those villages aren’t connected to a sanitary web. Assurance of delivering drinking water which has European standards for all towns in project through the sanitary web will be the chance to improve living standards of the citizens and equal differences in living level with other regions in country or even in Europe.

Projected undertaking during realisation the investments peaceably with building plans won’t affect negatively neither elements of the environment nor people on the stage of its realisation exploitation and liquidation. Technological project suggested by the investor doesn’t cause pollution to atmosphere, intaking sewages to water and producing wastes because of the undertaking exploitation.

10 Rates of return.
The financial and economic analysis has been prepared and is available for perusal. Basic economic indicators display economic profitability of the project and are as written below:
Internal economic rates of return of the project  11.1%
Financial rates of return:  2.1%

This above rate of return is a result of kind and range of investments, namely:
- Planned investments is mainly on the rural areas and rely on existing water supply stations and purification plants,
- Little building density in given village and large diffusion of the villages.

Realisation of the tasks in research doesn’t take difficult to valuate the ecological effects, keeping naturalistically landscape values of Pojezierze Drawskie for next generations. Tourism attractiveness of the whole region will be increased.

11 Investment criteria.
11.1 Catalytic effect.
The Phare support will be conducive to achieving economic and social cohesion goals in Zachodniopomorskie voivodship, which otherwise could be attained only in a more distant future and on a more modest and less efficient scale.
11.2 Co – financing.
The project is co-financed by the Polish sources. The national contribution amounts to 31.6 % of the total project cost.

11.3 Additionality.
The financial means transferred to the Beneficiary for the project implementation, covering the investment costs as they are planned within the project do not displace other financing sources, especially from the private sector and the IFI system; it is solely the co-financing of identified priorities and does not replace national resources.

11.4 Project readiness and size.
The project will be ready for implementation, contracting and disbursement in accordance with requirements of Phare 2002 ESC programme. The feasibility study and report from environmental impact assessment have been prepared. The planning permit has been obtained. The acquisition of land for the investment has been completed. The Polish co-financing has been allocated.

11.5 Sustainability.
The project will contribute to the long-term sustainable development of the region, as described in the Operational Programme for Zachodniopomorskie Voivodship. The investment is sustainable and does not require any further expenditures apart from the ongoing technical maintenance on the part of the beneficiary.

11.6 Compliance with state aids provisions.
All aspects of the project will be developed with respect to the state aids provisions of the European Agreement.

12 Conditionality and sequencing.
Achievement of the project objectives is conditional upon the following assumptions:

- Undertaking by regional and local authorities intensive tourism and economic promotion of the region
- Stable local and national economy
- Completion of installation of other services like telecom, gas, power supply (where required)
- Efficient and professional management and supervision of the project implementation
- Funds for financing the project secured and allocated

Deadlines:
- Construction designs prepared until (date): IV’02
- Obtaining the building permit until (date): in hand
- Preparation of tender documents until (date): II’03
- Signing the works contract until (date): III’03
- Completion of the contract until (date): IV’04

Annexes:
Annex 1 – Logframe matrix
Annex 2 and 3 – Implementation, contracting and disbursement schedules
### Annex 1: Logframe matrix

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<th>Programme name and number</th>
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**Exposure of tourism potential in gminas of Pojezierze Drawskie**

- Contracting period expires 30/11/04
- Disbursement period expires 30/11/05

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#### Overall objective
To increase investment and tourism attractiveness of the Pojezierze Drawskie region through the improvement of the environment protection infrastructure.

#### Objectively verifiable indicators
- Increase of the turnover of SME companies in the area influenced by the project

#### Sources of verification
- Zachodniopomorskie voivodship’s reports and WUS statistics
- 5 years after project completion
- Marshal Office

### Project purpose / Immediate objective
Opening up of new areas for tourism development and establishment of new SME companies in the established investment zones in the most attractive locations in the region

#### Objectively verifiable indicators
- 45 new enterprises established
- 161 new work places in the project area
- 10% increase in the number of tourists visiting gminas of Pojezierze Drawskie

#### Sources of verification
- WUS and Gminas reports and registers
- 2 years after project completion
- by Beneficiary

#### Assumptions
- Undertaking by regional and local authorities
- Intensive tourism and economic promotion of the region
- Stable local and national economy

### Results
700 ha in total of investment areas equipped with water supply and sanitary systems

#### Objectively verifiable indicators
- 19.5 km of sewerage system constructed
- 14.5 km of water mains constructed

#### Sources of verification
- Reports and certificates of contract
- Engineer

#### Assumptions
- Completion of installation of other services like telecom, gas, power supply (where required)

### Activities
- Construction of sewerage system in Linowno
- Construction of a sanitary sewerage system in Przyrowo and Dziwogóra
- Construction of a water supply system Lobez – Bonin – Budziścze in Lobez gmina
- Construction of sewerage system in Belczna
- Construction of a water supply system Trzeszczyna – Dalo – Przyborze Lobez gmina
- Construction of a water supply system in Stare Drawsko with a sewerage link to Czaplinek
- Construction of sewerage system and a water supply system Cieszynska housing estate in Zlocieniec
- Construction of water supply system Stare Worowo – Warnleg in Zlocieniec gmina
- Construction of a sanitary sewerage system with pumping station in Kalisz Pomorski

#### Means
- One works contract for 2.924.958 EURO

#### Assumptions
- Efficient and professional management and supervision of the project implementation
- Funds for financing the project secured and allocated

### Preconditions
There are no preliminary conditions. The project is ready for implementation.
Annex 2-3: Implementation, contracting and disbursement schedules

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Legend:
D = design of sub-projects
C = tendering and contracting
I = contract implementation and payment
*cumulative in MEUR, Phare sources